ONTARIO ADVISORY COUNCIL ON WOMEN'S ISSUES

Statement

to the Standing Parliamentary Committee

on National Health and Welfare

re

Changes to the

Canada Pension Plan

Survivor Benefits

December 1987

At present, on reaching age 65, CPP credits are subject to division upon request only. The Ontario Advisory Council recommends that:

> **CPP credits be split automatically upon reaching retirement age and a cheque issued in each partner's name.**

The current practice of providing a survivor benefit of 60% of the total credits does not recognize the principle that CPP benefits are truly shared and each spouse is entitled to half. The Ontario Advisory Council recommends that:

> **Upon the death of one of the spouses, the surviving spouse should be entitled to 60% of the credits of the deceased spouse. This will result in an 80% pension.**

Recognizing marriage as an economic partnership, the Ontario Advisory Council recommends that:

> **The government undertake a study with an aim to reforming taxation of family income.**
>
> **A study should be conducted to determine what the impact would be on the amount of tax paid if spouses' incomes were viewed as family income and each member taxed on half. For example:**
>
> **a) A couple where the husband earns $30,000 and the wife $20,000 would be considered to have a joint income of $50,000 and each taxed on $25,000.**
>
> **b) A couple where the husband earns $50,000 and the wife is a homemaker, would now be taxed on $25,000 each.**

How much would each family save in taxes each year? Could the government require that these savings be used as contributions to the CPP for the home-maker spouse or to enhance the CPP credits of a low-income spouse?

...3

The Ontario Advisory Council on Women's Issues commends the federal government for its attempt to bring the Canada Pension Plan into accordance with the equality provisions of the Canadian Charter of Rights and Freedoms. We are pleased that benefits under the Canada Pension Plan will be awarded without reference to age, disability or family status.

However, we must register our dismay at the process of consultation. Such a major change in public policy requires extensive public input, particularly from those most likely to be affected - Canadian women.

The short time frame for response and the limited number of hearings do not allow public access to the process. We strongly urge that the time frame be expanded and the consultation paper be widely advertised and circulated.

In addition, the paper does not provide any background statistics. What kinds of numbers are we talking about? Have any studies been done to show how many survivors would receive the maximum benefit? Is there any breakdown of age groups? Women, in general, do not receive a high level of benefits from the Canada Pension Plan. In 1985, 60% of female beneficiaries under the Canada Pension Plan received monthly benefits of less than $200.

In 1983, the Ontario Advisory Council on Women's Issues made a number of recomendations on the Canada Pension Plan to the Parliamentary Task Force on Pension Reform. Specifically, we recommended that:

1) Canada Pension Plan benefits should be split on marriage breakdown, death, disability, and at age 65.

2) Canada Pension Plan survivor benefits after credit-splitting should be 80% and should continue in the event of remarriage.

3) Canada Pension Plan should provide a pension for the years spent caring for children under age 12 or for a dependent.

We reiterate the above recommendations.

...2

As stated in the consultation paper, "the CPP encompasses a unique configuration of savings, insurance and support elements." In view of this, the Ontario Advisory Council on Women's Issues recommends that:

> **Survivor benefits be treated as a life insurance policy and not subject to tax. Currently, under private pension plans, the first $10,000 of the death benefit is tax free. The Canada Pension Plan should receive similar treatment.**

In 1985 nearly 140,000 women aged 45-64 were not labour force participants. These are the women most likely to require adequate survivor benefits. Although younger women may benefit from the proposed changes, older homemakers, are likely to be adversely affected. For example, a woman aged 50 who is widowed would receive survivor benefits until she reached 65 under the old system. However, under the proposed system, she will have 5 years in which to become self-sufficient. What chance does a 55 year old woman have of obtaining employment? Will she be forced to go on welfare? Will we see an increase of older women on welfare? These questions must be answered before any changes are implemented.

The Ontario Advisory Council recommends that:

> **Flexibility and choice be built in to the system. Survivors should have a choice on whether they would like larger payments to begin with or smaller amounts spread over a longer period of time. Also, some flexibility should exist to allow a survivor to change the decision made if circumstances change.**

In summary, while we strongly urge consideration of the above recommendations,we must reiterate the need for a more extended time frame for consultation on this important issue. We will be continuing to study this proposal in depth, and will submit additional comments and recommendations to you at a later date.